

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant: Bent et al.
Serial No: 10/092,279
Title: SYSTEMS AND METHODS FOR PROVIDING LOAN
MANAGEMENT FROM CASH OR DEFERRED INCOME
ARRANGEMENTS
Filed: March 6, 2002
Examiner: Harish T. Dass
Art Unit: 3628
Docket No.: 0001815USU (formerly: 11559-003-999)
Confirmation No.: 7722
Customer No.: 27,623

DECLARATION OF MARK VERNAGLIA
UNDER 37 C.F.R. § 1.132

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GROUP 3600

Assistant Commissioner for Patents
Washington, D.C. 20231

Dear Sir:

I, the undersigned Mark Vernaglia, an American citizen residing at 3 Jockey Terrace, Colts Neck, NJ, 07722, USA, hereby declare and state that:

1. I am a co-inventor of the invention described and claimed in the above-captioned application. I am familiar with the claims and specification of this application and with U.S. patent no. 5,206,803 by Vitagliano et al. ("the '803 patent"), and have read the Office action mailed May 6, 2004.

2. I am President of Reserve Solutions, Inc., the assignee of this application, and in that capacity, I have managed and overseen Reserve Solutions' conception and development of a commercial product, offered under the name of ReservePlusSM, implementing the invention described in this application.

3. Unless otherwise stated, I have personal knowledge of all of the facts and circumstances set forth herein.

4. The ReservePlusSM product provides loans for participants in 401(k) plans from loan funds that are established for participants and funded with funds transferred from their 401(k) accounts. The loan funds are segregated from the corpus of the participants' 401(k)-plan accounts and are invested in stable value (cash equivalent) assets. Accounting for participants' loans and for their loan funds is performed entirely by Reserve Solutions, independently of the 401(k)-plan management companies (known in the industry as "recordkeepers"). Thereby, the 401(k)-plan recordkeepers can manage participant loan funds as the systemic equivalent of their other managed participant investments in, for example, mutual funds. This is important, because each recordkeeping company usually serves several 401(k) plans offered by several sponsors having total enrollments of hundreds of thousands to millions of participants.

5. As seen by 401(k)-plan recordkeeping companies, instead of having to undertake the considerable additional accounting tasks necessary to provide participant loans directly from the corpus of 401(k)-plan accounts as was the case in the prior art systems, the ReservePlusSM product allows for recordkeeping companies using the system of the present invention to interface and integrate their existing recordkeeping systems to the ReservePlusSM product. What previously was a difficult and cumbersome task for record keepers becomes a largely routine and simple task just because the record keepers can manage ReservePlusSM loan funds as the systemic equivalent of other participant investments they already manage.

6. Importantly, the ReservePlusSM product has achieved notable commercial success and acceptance among 401(k)-plan recordkeeping and management companies. Reserve Solutions is in extensive discussions and negotiations with recordkeeping companies of 401(k) plans with over 5 million participants, including Benefit Plans Administrators, PAG, Inc., Motivate, JW Seligman, GoldK, Inc. ("GoldK"), and Bisys Retirement Services. These

recordkeepers are in the process of, or are very interested in, making the ReservePlusSM product available to their participants.

7. Significantly, SunGard Employee Benefit Systems ("SunGard"), a unit of the financial management giant SunGard Data Systems, Inc. and provider of the Omni® and OmniPlus® retirement plan recordkeeping software and systems which are used by recordkeepers of 401(k) plans with approximately 30 million of the estimated 50 million participants in all 401(k) plans nationwide, has embraced the ReservePlusSM product. SunGard has just recently completed interfacing and integration of the ReservePlusSM product into their Omni software and systems. Commercial clients of these SunGard products now have simplified access to the ReservePlusSM product and it can ultimately be easily made available to as many as 30 million plan participants.

8. Several recordkeepers have already made the ReservePlusSM product available to participants in the plans they serve. Many thousands of participants of these plans where the ReservePlusSM product is available are participating in the ReservePlusSM loan program.

9. During the conception and development of the ReservePlusSM product, I became aware of several failed attempts by sophisticated banks and financial management companies, such as BankOne, GoldK, and even SunGard to use the invention described in the '803 patent to provide loans to participants in 401(k) plans. My knowledge of these attempts includes the following facts.

10. In the case of BankOne, I had conversations in early 2002 with two executive managers of Pyramid Digital Solutions LLC, a provider of software and technology services for retirement plan administrators. Because Pyramid Digital Solutions had performed work for BancOne, these managers had knowledge of BancOne's attempts to use the invention described in the '803 patent to provide loans to participants in 401(k) plans. They told me that BancOne

had begun development during late 1995 of a product based on the '803 patent, but had abandoned this development in December, 1996, because BancOne was unable to develop a workable system based on the '803 patent.

11. I was also told, in particular, that BancOne, under a license to the '803 patent, had attempted to develop a product that would have provided loans to 401(k) plan participants funded directly from the corpus of the participants' 401(k) accounts. Loan funds were not to be a segregated part of the 401(k) accounts nor necessarily to be invested in stable value assets. Thereby BancOne's failed development would have required 401(k)-plan management companies, recordkeepers, to undertake accounting for each and every participant loan.

12. In the case of SunGard, I had discussion with two executive managers at SunGard in December, 2002. These managers told me that in 1995 and earlier SunGard had been approached by several of their clients who were interested in using the invention described in the '803 patent to provide loans to participants in 401(k) plans. Because of the potential business opportunity of providing software based on the '803 patent, SunGard began development on such a product during 1995. However, SunGard abandoned this development during 1996, because even SunGard could not produce a workable product based on the '803 patent.

13. In particular, I was told that the product SunGard was trying to develop would have enabled SunGard's existing Omni record-keeping system product to provide and manage loans to 401(k) plan participants directly from the corpus of the participants 401(k) accounts. Loan funds were not to be a segregated part of the 401(k) accounts, nor were they necessarily to be invested in stable value assets. Thus, this product would have placed the burden of accounting for participant loans directly on the 401(k)-plan recordkeepers.

14. Later, during June 2003 and when design of the ReservePlusSM product was more advanced, I held further discussions with executive management at SunGard to encourage their adoption of this product. During these discussions, I explained that the ReservePlusSM product provides loans to 401(k)-plan participants from loan funds established for each participant; that the loan funds are segregated from the 401(k)-plan accounts; and that the loan funds are invested in stable value assets. I also explained that Reserve Solution undertook accounting for participant loans, and thereby removed this burden from 401(k)-plan recordkeepers, SunGard's clients. SunGard management, in particular Mr. Billy Morris, manager of SunGard product development, immediately found the ReservePlusSM product to be innovative and commercially attractive.

15. SunGard then undertook the development and integration of the ReservePlusSM product into SunGard's Omni® and OmniPlus® retirement plan recordkeeping software and systems, which it completed in early 2004. Actual use of the ReservePlusSM product through these SunGard products, which are used by recordkeepers of 401(k) plans with about 60% of all plan participants, is continually increasing.

16. In the case of GoldK, I held discussions at GoldK's offices during August 2004 with management, including Ms. Dierdre Duffy and Mr. Thomas Haggerty, to encourage their adoption of the ReservePlusSM product. During these discussion, I was told that GoldK, under license, began development in early 2003 of a product that would have used the invention described in the '803 patent to provide loans to participants in 401(k) plans. In particular, I was told that the product being developed by GoldK would have provided loans to 401(k) plan participants directly from the corpus of their 401(k) without any segregation into individual loan funds to be invested in stable value assets. This product itself would have undertaken accounting for all participant loans. GoldK abandoned development of this product at the beginning of 2004, because, in their words, they "could not get it to work".

17. During these discussions, I explained the ReservePlusSM product: that it provides loans to 401(k)-plan participants from loan funds that are established for each participant, are segregated from the 401(k)-plan accounts, and are invested in stable value assets. I also explained how this product removed the burden of accounting for participant loans from 401(k)-plan recordkeepers, such as GoldK. In response, GoldK decided to adopt the ReservePlusSM product, and it is now available to participants in 401(k)-plans for which GoldK is the recordkeeper.

18. In summary, none of the past attempts to implement the systems and methods of the '803 patent, which was issued in April, 1993, have achieved commercial success. It is my belief that, had the systems and methods of the '803 patent been commercially viable, companies of the caliber of BankOne, GoldK, and SunGard would have succeeded. In contrast, the ReservePlusSM product is achieving increasing commercial success since its public availability in June, 2003. And as a component of SunGard's OmniPlus recordkeeping system, it is available to recordkeepers for 401(k) plans with over 30 million participants.

19. In my experience as President of Reserve Solutions, Inc., this commercial success is due to the ease, simplicity, and rapidity by which 401(k)-plan recordkeeping and management companies can implement through the use of a segregated loan fund and offer to their customers an advantageous new 401(k)-plan feature. This ease and simplicity is directly based on establishment of loan funds for participants, segregation of loan funds from 401(k)-plan accounts, and investment of loan funds in stable value assets.

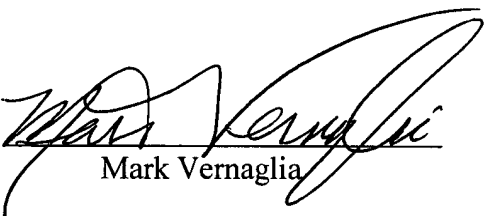
20. I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under 18 U.S.C. § 1001, and that such

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Reply to Office action mailed May 6, 2004

willful false statements can jeopardize the validity of any patent issuing from the captioned application or claiming the benefit of its priority.

Dated: October 4, 2004
New York, N.Y.

Signed by:


Mark Vernaglia